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Coaxing Fire and Police Staffs in Arizona to Cut Own Pensions

By KEN BELSON AUG. 11, 2014

PHOENIX — Bryan Jeffries, the chief of Arizona’s firefighters’ association, has been arguing to anyone who will listen that his members — and the state’s police officers, too — should volunteer to cut their own pension benefits.

Mr. Jeffries, a fourth-generation Arizonan who has been a firefighter and a city councilor, says that emergency workers have a special obligation to protect the public not only from physical peril, but also from financial ruin. Cutting pensions for firefighters and police officers would help save their woefully underfunded retirement plan and bail out towns and cities that are struggling to keep up with their mandated contributions, he says.

“It is critical for our state, for the taxpayers and for the next generation that will be here long after we are gone, that we repair this,” said Mr. Jeffries, whose group, the Professional Fire Fighters of Arizona, is not a union but works on political issues relevant to its membership. “I know intellectually that with these ballooning payments, I feel a direct conflict with the oath I took to protect the citizens.”

His unusual proposal has been a touchy subject for many of the people whose pensions would be cut, because defined benefit pension plans are viewed as compensation for doing dangerous work and a lure to recruit new public servants. And despite the growing shortfall in the statewide pension plan that has put stress on cities and towns, which must make up the difference, politicians have been nevertheless wary of attacking these benefits, for fear of alienating two powerful constituencies and to sidestep questions about why they lavished such generous pensions on them in the first place.

“When you see policemen and firemen putting their lives on the line, you

want to make sure that when they retire, they receive a reasonable retirement,” said Jeff Dial, a Republican state representative from the Phoenix area who supports the firefighters’ initiative.

But among the 236 employers in Arizona’s \$6.1 billion Public Safety Personnel Retirement System, which covers about 31,000 active and retired emergency workers, just 39 have fully funded pension plans. An additional 21 plans are less than 40 percent funded, a rate so low that if they operated in the private sector, they would be at risk of being taken over.

The growing unfunded liabilities have forced cities and towns to pick up the tab. Tucson, for instance, contributes the equivalent of 51 percent of its emergency workers’ wages, up from about 11 percent a decade ago. That means if a firefighter’s salary is \$60,000, Tucson must pay about \$30,000 more toward his pension. For most police officers and firefighters, pensions make up the bulk of their retirement income, because they do not collect Social Security.

The Arizona pension system has been eroded by ill-fated investments, provisions that have steered money to retirees instead of replenishing the plan, and budget woes that have led cities to cut the size of their fire and police departments, leaving fewer employees to pay for retirees. Municipalities forced to pay higher contributions have had to raise taxes and take other difficult steps.

“The costs of the plan put additional pressure on budgets, especially when we’re still trying to recover from the recession,” said Rene Guillen Jr., a legislative director at the League of Arizona Cities and Towns. “That could mean that money that could go for raises or new personnel might have to be redirected for covering the costs of retirements.”

In 2011, Arizona lawmakers passed a law that undid several benefits in the emergency workers’ pension plan, including one that gave any investment gains in the fund above 9 percent per year to the retirees instead of keeping it in the fund as a cushion against the years when it lost value.

The law, though, was overturned in court this year because it was ruled to violate the state’s Constitution, which includes a clause that says that there cannot be any impairment of benefits in the pension plan.

As the law was being appealed, financial conditions deteriorated further, so Mr. Jeffries and his predecessor at the state firefighters’ association, Tim Hill, proposed raising the number of years that new staff members will need to begin collecting a pension, increasing member contributions and trimming cost-of-

living increases. Mr. Jeffries says that the measures will save taxpayers tens of millions of dollars and could return the pension plan to full funding in 18 years.

To put the plan into effect, Mr. Jeffries wants to change the Constitution to allow for this one-time fix. This would reassure workers that lawmakers could not make even more drastic changes later.

Critics, though, call this strategy a half-step.

“If they were serious and genuine about wanting policy makers to manage these systems to keep them as opposed to running them off a cliff, then what they would have advocated for was the removal for the pension clause” from the Constitution, said Kevin McCarthy, president of the Arizona Tax Research Association.

Either way, Mr. Jeffries has a lot of work to do before his proposals are acted on.

First, he must persuade several police groups to agree. Joe Clure, the president of the Phoenix Law Enforcement Association, which represents 2,400 police officers, has worked with the firefighters on their initiative, but is wary of moving too hastily. “What you worry about is it opening Pandora’s box and making all sorts of changes,” Mr. Clure said. “We are offering up our own haircut.”

Gov. Jan Brewer declined to call a special session that would have allowed lawmakers to authorize a ballot measure in November to change the Constitution. Lawmakers might revisit the issue this year or in 2015, but Mr. Jeffries said he and the police were willing to collect the signatures needed to put the constitutional amendment to a vote.

In the meantime, Mr. Jeffries has hired Ryley Carlock & Applewhite, a prominent law firm in Phoenix, to help him sell his plan. Mr. Jeffries has visited fire stations around the state where, he says, he has received little pushback from members. City managers and mayors, some of whom have been hamstrung by the pension crisis, have also welcomed the proposals.

“Pensions are not sexy things or easy to sell to voters,” said Fritz Behring, the city manager of Scottsdale, who favors the firefighters’ plan, even though his city is in relatively secure financial shape. “The average citizen doesn’t have those benefits and resents it. If voters have a choice to cut benefits, they will.”

In many parts in the country, police and firefighter unions have fended off efforts to change their pension plans. But emergency workers in Arizona operate

in a right-to-work state where the Legislature has huge sway, anti-union sentiment runs high and the Tea Party has clamored for greater fiscal responsibility.

Fueling the resentment are reports of public servants who retire with six-digit pensions by exploiting rules that let them cash in unused vacation and sick days. Sal DiCiccio, a Phoenix councilman who favors giving new city employees 401(k) plans, published a list of the 50 highest pensions for retired city public employees.

“The whole system has been gamed by everyone,” Mr. DiCiccio said. “I’m supportive of pensions for police and fire, but people don’t expect that” kind of abuse.

While the most egregious cases make headlines, most pensions for emergency workers are modest. The average pension for a staff member (not including those on disability or paid to survivors) is \$52,600, assuming they worked 23.6 years and were 51.3 years old when they retired, according to the pension fund administrator.

That does not include the cost-of-living increases — of up to 4 percent, compounded annually — or the fact that some emergency workers start second careers, sometimes in government, that pay them a second pension.

The possibility that frustrated voters will demand even more drastic changes drives the firefighters. Mr. Jeffries said his members worried that “something dramatic is going to happen, and they’ll wake up and they’ll have nothing.”

Mary Williams Walsh contributed reporting.

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